APPENDIX A

IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT G

PROSPECTUS

EL PASO NATURAL GAS COMPANY

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The date of this Prospectus is January 8, 1957.

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Pacific's Gas Supply

Pacific owns oil and gas leases covering approximately 304,000 acres in the San Juan Basin. The lands covered by the leases are predominantly Federal, State or Indian lands, and a substantial part of the lands covered by leases are subject to unitization agreements. As of November 1, 1956, Pacific owned 246.2 net producing gas wells. In addition, in order to develop the properties owned by Pacific in accordance with its plans, Pacific drilled or was drilling approximately 14.5 net wells between November 1, 1956 and January 1, 1957 and it will be necessary to drill approximately 239 net wells during 1957 and 1958 and additional wells from time to time thereafter.

As of November 1, 1956 Pacific had executed long-term gas purchase contracts with 30 producers covering their gas reserves in the San Juan Basin, and in the Piceance Creek, Bar-X, Rangely, Big Piney, Tip Top and Hogsback Fields. Each of these contracts calls for the producer to develop the reserves and deliver the gas to Pacific at the wellhead or at some other agreed delivery point.

Pacific has an agreement to purchase Canadian produced natural gas at the international boundary near

Sumas, Washington from Westcoast at the rate of 200 million cubic feet per day commencing on November 1, 1957 (if the facilities of both are ready), at the rate of 250 million cubic feet per day after January 1, 1958 and at the rate of 300 million cubic feet per day after January 1, 1959. The agreement provides that the price, on a 90% load factor, is to be 22¼c per Mcf until January 1, 1959 and 22c per Mcf thereafter for the remainder of the twenty-year term. Pacific also has the right under the agreement to purchase under the same terms and conditions the next 100 million cubic feet per day which Westcoast has available. Reference is made to the caption "Present Business Relationships and Agreements Between El Paso and Pacific" for a description of the Company's rights and obligations with respect to such Canadian produced gas.

Negotiations are presently under way looking to the purchase by Pacific and the sale by Westcoast of an additional 250 million cubic feet of gas per day, commencing November 1, 1959, for a period of 20 years. It is expected that the cost of such gas to Pacific, on a 90% load factor, will be 25c per Mcf until January 1, 1963, 27.4c in the seventh year of deliveries, and will increase by 0.2c during each subsequent year of the term of the agreement.

In the opinion of Messrs. Brokaw, Dixon & McKee, independent petroleum engineers, the amounts of proved recoverable natural gas reserves owned by or under domestic contract to Pacific at August 1, 1956 are 4,896 billion cubic feet, as follows: *San Juan Basin*, 1,037 billion cubic feet (developed) and 2,812 billion cubic feet (undeveloped); *other domestic sources* (all under contract),

301 billion cubic feet (developed) and 746 billion cubic feet (undeveloped).

In the above estimate of reserves from the San Juan Basin approximately 10% has been allocated to certain sections of the Mesa Verde formation, including the Menefee section, which in general have very low porosity and permeability. Some geologists, including Mr. Val Reese, Geologist for Pacific, but not Messrs. Brokaw, Dixon & McKee, think much more gas will eventually be recovered from such tight formations although Messrs. Brokaw, Dixon & McKee believe no important production is being obtained therefrom as yet. Such opinion of Mr. Reese is based on the belief that improved techniques in completing wells will eventually make gas from these tight formations available in commercial quantities. No reserves from the Dakota formation have been included in the estimated reserves by Messrs. Brokaw, Dixon & McKee, since in their opinion the data available is too meager at present for estimating quantitatively amounts of fixed recoverable reserves. However, although no wells are presently producing from this formation, tests from several wells have shown some gas, and Messrs. Brokaw, Dixon & McKee believe that eventually commercial reserves will be recovered from this formation.

In addition to the foregoing, as stated above, Pacific has at least 2,200 billion cubic feet of natural gas under Canadian contract. The average amount of overriding royalty payable in respect of gas produced from the San Juan leaseholds owned by Pacific (estimated by Pacific to be 80% of its San Juan reserves) is 7.18c per Mcf. In the opinion of Mr. Reese, natural gas liquids will be produced from Pacific's San Juan reserves at a rate of ap-

proximately 12 barrels for each million cubic feet of natural gas. Pacific has no substantial proved crude oil reserves. Although Pacific's pipe line system is not yet in commercial operation, the production properties owned by Pacific produced natural gas and natural gas liquids as follows during each of the twelve months ended October 31, 1956:

	Natural Gas (Billion Cu. Ft. at 15.025 psia)	Natural Gas Liquids (barrels)
November, 1955	0.404	2,130.97
December, 1955	0.517	2,838.09
January, 1956	0.621	3,338.15
February, 1956	0.580	2,312.39
March, 1956	0.561	3,444.87
April, 1956	0.664	3,427.86
May, 1956	0.611	3,582.97
June, 1956	0.564	4,626.91
July, 1956	0.522	3,538.69
August, 1956	0.525	4,647.47
September, 1956	0.624	4,041.27
October, 1956	1.185	3,982.59
Totals	7.378	41,912.23

Reference is made to the captions "Present Business Relationships and Agreements Between El Paso and Pacific" and "Pacific's Expansion Program" for further information with respect to Pacific's gas supply.